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American Broadcasting-Paramount Theatres, Inc. Annual Report 1959

APT 13 1960 A⁵



*Entertainment and Public Service
for the American Family through Communications*



ab-pt broadly diversified in television and
radio broadcasting, motion picture theatres,
phonograph records, amusement centers,
publishing and electronics.



The Year in Brief

1959

1958

		1959	1958
Income	ABC operating income Theatre operating income Merchandise sales and other income Total	\$172,469,000 91,139,000 <u>24,349,000</u> <u>\$287,957,000</u>	\$136,967,000 94,280,000 <u>13,574,000</u> <u>\$244,821,000</u>
Expenses	Operating and general expenses Interest Depreciation State, local and payroll taxes Federal income tax Total	\$254,003,000 2,227,000 6,461,000 6,441,000 <u>10,858,000</u> <u>\$279,990,000</u>	\$218,432,000 2,297,000 6,847,000 6,001,000 <u>5,900,000</u> <u>\$239,477,000</u>
Net Profit	Operations Capital gains Total Per share common: Operations Capital gains Combined	\$ 7,967,000 187,000 <u>\$ 8,154,000</u> \$ 1.87 .05 \$ 1.92	\$ 5,344,000 772,000 <u>\$ 6,116,000</u> \$ 1.21 .19 \$ 1.40
Dividends Paid	Total Per share preferred Per share common Number of preferred shares Number of common shares	\$ 4,347,000 \$ 1.00 \$ 1.00 71,231 4,149,362	\$ 4,471,000 \$ 1.00 \$ 1.00 320,799 4,149,363
Financial Position	Working capital Fixed assets (net) Long-term debt Common stock equity Per share common	\$ 52,034,000 \$ 67,665,000 \$ 56,805,000 \$ 82,624,000 \$ 19.91	\$ 49,665,000 \$ 66,298,000 \$ 49,468,000 \$ 78,730,000 \$ 18.97
General	Stockholders of record Operating theatres ABC-TV Network affiliates ABC-Radio Network affiliates	24,728 498 234 354	24,749 512 228 330



President's Letter to Shareholders

SIGNIFICANT progress and continued growth were achieved by our Company in 1959. Total income reached a record \$287,957,000, an increase of \$43,136,000 over the previous year. Net operating earnings after taxes rose to \$7,967,000 or \$1.87 per share for the 52 week 1959 fiscal year as compared with \$5,344,000 or \$1.21 per share for the 53 week 1958 fiscal year. This represented an increase of 49%.

The ABC Division, which consists of our television and radio networks and owned and operated stations, reported record income and earnings.

The ABC Television Network, primarily as a result of its diversified and popular programs, achieved second position prior to the year end among the three networks in terms of its share of the total national television audience in the 7:30-10:30 P.M. prime evening period. We take pride in the part that these programs have played in providing the public with a wider selection of television fare. The ABC Television Network also showed the largest dollar and percentage increase of all networks in gross time sales.

Our owned television stations paralleled the improvement of the ABC Television Network, reflecting the strengthened programming on the network as well as on the local community level.

In radio, the owned radio stations also reported higher earnings. The ABC Radio Network improved its operation as compared to the previous year, although it continued to operate at a loss.

There was a much firmer tone to the motion picture business than in the previous year. Earnings of our theatres were higher than those of 1958. This was due to a better supply of quality pictures, a reduction in costs of operation and the divestment of uneconomic theatres. In keeping with our policy of divesting marginal properties, fifteen theatres were disposed of during the year.

Our record company reported its best year. It acquired another successful company, Grand Award Records, which enlarges the scope of our record business and adds appreciably to the catalogue of album and stereophonic records.

ABC Films, which distributes television programs to stations and advertisers, continued to place emphasis on the increasingly important foreign market.

Our Company also created an international division to broaden its interests in the foreign television field. A minority interest is presently held in a television station in Australia and one to be operated in Costa Rica. Recently, the international division took part in organizing a television network to be operated in Central America, in which our Company will have the major interest. It is expected that minority interests will be acquired in the stations participating in that network.

The Prairie Farmer Publishing Company, which publishes three leading and long established farm papers serving the midwest, was acquired by our Company. In addition to these successful publications, Prairie Farmer also owned a half interest in Chicago radio station WLS, in which our Company held the other 50% interest.

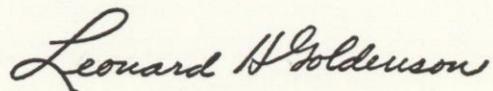
The electronic companies, in which we have stock interests, reported overall improvement in income and earnings as they expanded the scope of their respective operations in this growing field. Disneyland Park, the amusement center in which we have a 35% stock interest, reported gains with record income and attendance. Although we have not realized dividend income from these investments, the value of our equity has appreciated.

Our financial position remained strong. During the year, the final \$10,000,000 under our Loan Agreement was drawn down. Other major financial changes included the purchase of 249,568 shares of Preferred Stock and the purchase of the publishing and record companies mentioned above.

It is with deep sorrow that we record the passing of Robert J. O'Donnell, General Manager of the Interstate Circuit, and Earl J. Hudson, ABC Vice President in charge of the Western Division. Both men had distinguished careers with our Company and contributed importantly to the entertainment industry.

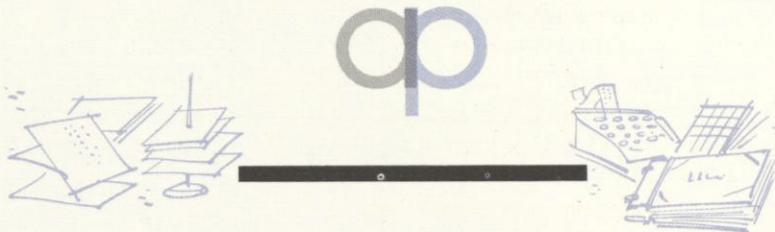
The progress made during the past year stems from the hard work, ability and loyalty of our 15,000 employees. We appreciate their efforts and also the continued support of our shareholders.

Sincerely,



President

March 21, 1960



Financial and Operating Review

Net Earnings

Net operating earnings after taxes increased to \$7,967,000 or \$1.87 per share from \$5,344,000 or \$1.21 per share for the previous year. There were 52 weeks in the 1959 fiscal year compared with 53 weeks in fiscal 1958. Net capital gains from the sale of theatre properties and collections from deferred portions of previous years dispositions were \$187,000 or 5¢ a share. This compared with \$772,000 or 19¢ a share for the prior year.

Net Earnings After Taxes

	1959	1958
Operations	\$7,967,000	\$5,344,000
Capital gains	187,000	772,000
Total	<u>\$8,154,000</u>	<u>\$6,116,000</u>
Preferred dividends paid	\$ 198,000	\$ 322,000
Net applicable to common	\$7,956,000	\$5,794,000
Per share common:		
Operations	\$1.87	\$1.21
Capital gains05	.19
Combined	<u>\$1.92</u>	<u>\$1.40</u>

Dividends Total dividends paid to our shareholders in 1959 were \$4,347,000, of which \$4,149,000 or \$1.00 per share represented common stock dividends.

Income Total income increased 18% and was at a record level of \$287,957,000. The income of the ABC Division rose to \$172,469,000 from \$136,967,000 in 1958. Theatre income at \$91,139,000 compared favorably with the previous year's figure of \$94,280,000, considering that there was one less week's business in the 1959 fiscal year and the Company operated fewer theatres due to the progressive dispositions of marginal properties. Miscellaneous income, which includes the income of our record companies and of our publishing companies acquired in 1959, increased to \$24,349,000.

Taxes Tax payments for the year remained at a high level and are indicated in the table below.

		1959
	Federal income (less \$113,000 applicable to capital gains, net)	\$10,745,000
	Real estate, personal property and state franchise	4,074,000
	State income	151,000
	Payroll taxes	1,519,000
	Sales, gross receipts, etc.	697,000
Taxes	Total	\$17,186,000

Long-Term Debt On October 1, 1959, the final \$10,000,000 was drawn down under our 1956 Loan Agreement. At January 2, 1960, the total debt under the Loan Agreement was \$55,000,000 of which \$2,500,000 at 3.95% is due in equal instalments on July 1, 1961 and January 1, 1962, \$42,500,000 at 4.2% matures July 1, 1977, with periodic required prepayments commencing July 1, 1962, and \$10,000,000 at 4.2% matures on January 1, 1978. Equal instalments aggregating \$2,500,000 were due on July 1, 1960 and January 1, 1961 and were prepaid during the year in accordance with the Company's policy of keeping one year ahead of payments due. Other long-term obligations amounted to \$1,805,000 at January 2, 1960.

Capital Stock

On July 30, 1959, the Company purchased an aggregate of 240,768 shares of its 5% Preferred Stock held by the Estate of Edward J. Noble and by the Edward John Noble Foundation at a price of \$19.25 per share. In order to give all preferred stockholders the same opportunity, a bid at the same price was maintained on the New York Stock Exchange through September 30th. On this basis, an additional 3,600 shares were purchased. Additional shares were purchased on the open market so that 71,231 shares were outstanding at the year end. The reason for the purchase of Preferred Stock is to simplify the capital structure of the Company and to eliminate the dividend requirements on such stock.

At the year end, the book value of the common stock was \$82,624,000 or \$19.91 per share. This compared with \$78,730,000 or \$18.97 per share at the close of 1958.

Common Stock Equity

	Total	Per Share
Equity at beginning of year . . .	\$78,730,000	\$18.97
Profit for the year—Operating . . .	7,967,000	1.92
Less—Preferred stock dividends . .	(198,000)	(.05)
Capital gains (net)	187,000	.05
Common stock dividends paid . . .	(4,149,000)	(1.00)
Par value in excess of cost of 249,568		
Preferred shares purchased . . .	123,000	.03
Other charges to capital surplus . .	(36,000)	(.01)
Equity at end of year	<u>\$82,624,000</u>	<u>\$19.91</u>

A restricted stock option plan was approved by over 94% of the shares voted at a special meeting of stockholders held on November 24, 1959. The purpose of the Plan is to aid in retaining the services of key executives, particularly in the competitive broadcasting industry, and in attracting new key personnel for future operations and growth. The options cannot be exercised for two years from the date of the grant and then in instalments over the next five year period. Options for approximately half of the 350,000 shares reserved for issuance under the Plan have been granted at \$24.94 per share; the remainder being held for future needs.

Source and
Application of Funds

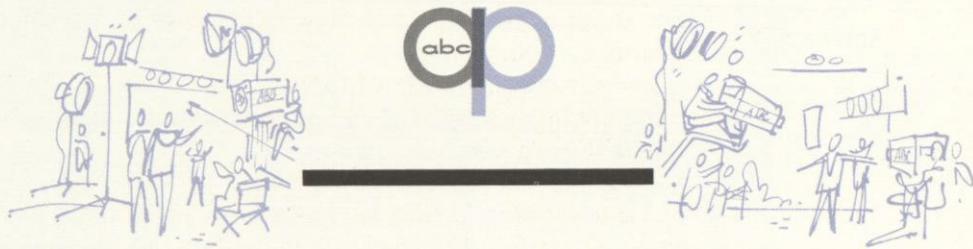
Working capital at the year end was \$52,034,000—an increase of \$2,369,000 over the prior year. The cash position remained strong with cash and government securities at \$30,818,000.

The expanding volume of business, particularly of the ABC Television Network, contributed to the increase of receivables and broadcast program rights and production advances.

Total depreciation amounted to \$6,461,000 of which \$4,180,000 was attributable to theatres, \$1,931,000 to the ABC Division and \$350,000 to other properties. \$2,160,000 was reinvested in theatre property additions and replacements. ABC capital expenditures of \$3,913,000 were principally for studio facilities and videotape equipment for the television network and for the completion of facilities of the owned radio and television stations in Detroit. Property additions of subsidiaries engaged in other operations amounted to \$1,010,000.

Source and
Application of Funds

1959		
Working capital at January 3, 1959 . . .		\$49,665,000
Source of funds		
Net income from operations	\$7,967,000	
Provision for depreciation	6,461,000	
Additional financing under loan agreement (net)	7,500,000	
Current assets received in ex- change for a portion of invest- ment in affiliated company . . .	1,875,000	
Cash proceeds from capital gains transactions after taxes there- on	1,118,000	<u>24,921,000</u>
		\$74,586,000
Application of funds		
Dividends paid—Preferred	\$ 198,000	
Common	4,149,000	
Purchase of preferred stock	4,869,000	
Fixed asset additions and replace- ments	7,083,000	
Purchase of catalogue of Grand Award record companies	1,964,000	
Acquisition cost of The Prairie Farmer Publishing Company applicable to non-current net assets and intangibles	3,384,000	
Investments in affiliated com- panies	806,000	
Other, net	99,000	<u>22,552,000</u>
Working capital at January 2, 1960		<u>\$52,034,000</u>



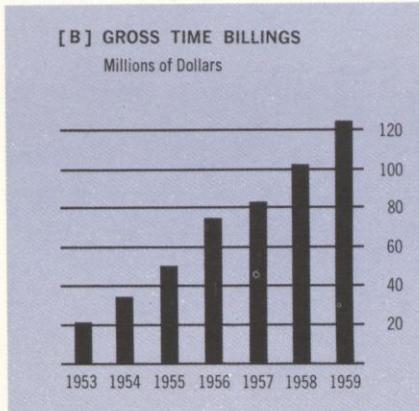
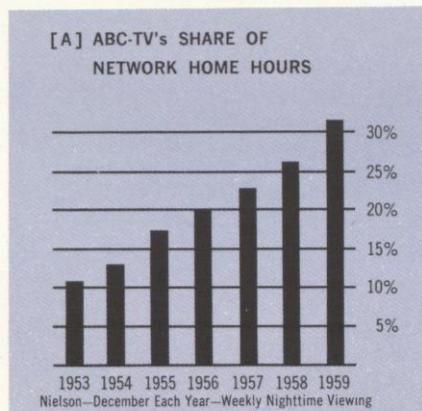
Television

The public's increased reliance on television for entertainment and information, combined with advertisers' growing use of television to sell goods, helped to make 1959 a year of continued growth for the television industry. Following the pattern of recent years, the ABC Television Network's gains in attracting both audience and advertisers were greater than those made by the industry generally.

Programming

The ABC Television Network in 1959 continued its upward climb towards audience leadership. Prior to the year end, it achieved second position among the three networks in terms of its share of the total national television audience in the 7:30-10:30 P.M. prime evening time period. In those markets where the networks have equal competitive facilities, the results at the year end were even more impressive. ABC-TV's share of the audience in the prime evening hours was approximately equal to one network and ahead of the other.

The network's share of nighttime home viewing hours (Graph A) rose from 26% of the three network total in 1958 to 32% in 1959. Gross time sales (Graph B) which historically follow audience circulation also continued to climb with a 22% increase over the previous year—the largest percentage as well as dollar increase of the three networks.



Audience growth was the product of continued strengthening and expansion of the program schedule. A program innovation was the scheduling of three hour-long shows consecutively on Monday evenings—CHEYENNE, BOURBON STREET BEAT and ADVENTURES IN PARADISE. On that night, the network's share of the viewing audience more than doubled over the previous year. New programs were added to the schedule through the week. Among them were the very popular and exciting ROBERT TAYLOR'S DETECTIVES, THE UNTOUCHABLES and the educational documentary series, JOHN GUNTHER'S HIGH ROAD.

The network program schedule provides the public with a selection of different kinds of programs; for example, musical entertainment with LAWRENCE WELK and PAT BOONE, action adventure with THE RIFLEMAN and THE LAWMAN, the always different WALT DISNEY PRESENTS, an unusual dramatic series ALCOA PRESENTS ONE STEP BEYOND, situation comedy with THE REAL MCCOYS, OZZIE AND HARRIET and LEAVE IT TO BEAVER, suspense series such as 77 SUNSET STRIP and HAWAIIAN EYE, and in sports, THE WEDNESDAY NIGHT FIGHTS, ALL STAR GOLF and exclusive coverage of the 1959 National League Baseball play-offs. A number of special entertainment programs were also televised during the past year which starred such outstanding performers as Bing Crosby, Frank Sinatra and Art Carney. These "specials" will be continued.

A variety of programs...

1. Frank Sinatra "Special"—with ABC star Bing Crosby and guests Jimmy Durante, Mitzi Gaynor and Dean Martin.
2. "The Sorcerer's Apprentice" with Art Carney.
3. James Garner, star of "Maverick."
4. "The Untouchables"—the dramatic series of the 1930's.
5. Donna Reed stars in her situation comedy series.
6. Award-winning daytime series "Day in Court."



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News and Public Affairs

During 1959, the schedule was broadened to include programs for the first time in the 10:30-11:00 P.M. time period seven nights a week.

In daytime programming, substantial audience gains were also made. By February, 1960, for example, the average share of the total viewing audience doubled since October 1958 when the new 12 noon-4:00 P.M. daytime schedule was inaugurated. Further strides in improving and expanding daytime programming are anticipated. Daytime television can be expected to become an increasingly important contributor to the overall growth and success of the network.

During 1959 the television network enlarged the scope of its public affairs programs and devoted more prime evening time than ever before to such programming. The News and Public Affairs Department has been enlarged to accommodate the further expansion that is planned and in progress for 1960. The major public service programs commanded greater audiences than in the past. One of the most noteworthy undertakings of the past year in the news area was the coverage of Premier Khrushchev's 13-day-long cross-country visit to the United States. The network was generally credited with providing the most imaginative coverage of this event, chiefly through having arranged for simultaneous interpre-



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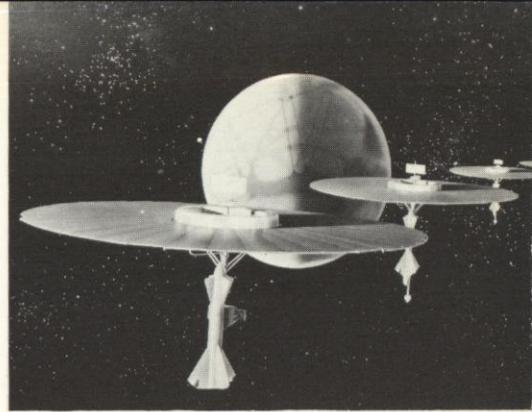
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To entertain and to inform . . .

tation of the remarks of the Russian leader. Competing services offered only the "official" consecutive translation provided by Mr. Khrushchev's own interpreters. The network also was widely commended for its special filmed documentary on the work of dedicated Americans in the remote Kingdom of Laos, among them Dr. Thomas Dooley, who has become a national symbol of the program's title, **THE SPLENDID AMERICAN**. This program received the Brotherhood Award of the National Conference of Christians and Jews for its contribution to the cause of good-will and understanding. Other outstanding documentaries included **THE INVESTIGATORS AND THE LAW**, a study of the role of Congressional investigating committees. Among the weekly informational programs, the network continued its popular **OPEN HEARING** program and **JOHN HOPKINS FILE 7**. **COLLEGE NEWS CONFERENCE** was honored with a Peabody Award for its contributions to international understanding, and Bishop James A. Pike's Sunday series was voted a Robert E. Sherwood Award for its contribution to the understanding of freedom and justice.

In keeping with the Company's policy and to meet increased viewer interest, the public affairs program commitment has been expanded for 1960. A series of major documentary projects has been commissioned at home and around the world. These were begun with the recent coverage of the Presidential Good-will Mission to Asia and Europe and more recently to South America. The series is continuing with the filming of documentaries in Africa, Korea, India and Japan.

Special programs as well as day-to-day coverage on the domestic scene will be dominated by the 1960 presidential primaries, the national political conventions in July, the Republican and Democratic presidential campaigns and the national election next November.



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1. Russian education is evaluated on John Gunther's "High Road."
2. "Mars and Beyond" featured on "Walt Disney Presents."
3. Dr. Tom Dooley in the ABC documentary "The Splendid American."
4. John Daly, ABC News Chief, at the Moscow airport during Vice President Nixon's Russian visit.
5. Governor Rockefeller interviewed on "Open Hearing."
6. The NATO Foreign Ministers on "College News Conference."

A major highlight of the television network schedule starting in the Fall of 1960 will be a weekly series in prime evening time based on the epic six-volume memoirs of one of history's greatest men—Sir Winston Churchill. These distinguished documentaries will contain written and spoken commentary by Sir Winston Churchill, special interviews with world leaders and statesmen, film footage from many countries, and a special musical score by the eminent composer, Richard Rodgers.

Facilities and Operations

The number of primary affiliated stations increased during the year and resulted in wider distribution of network programs. By the Fall of 1959, the network had 99 primary affiliates (as compared to 92 at the end of 1958) which reached over 87% of all television homes. With additional coverage of secondary affiliates, the average program's coverage was over 93% of all television homes. While progress has been made, the network is still hampered by the shortage of commercial television channels in a number of selected key markets.

This past year also saw the completion of a program to improve the studio and technical facilities in New York and Hollywood. New automated electronic equipment, the most advanced in the industry, was installed in New York, and the Hollywood facilities were extensively redesigned.

Concerning the recent television investigations, it is premature at this time to make any prediction as to what may develop. Your management has been taking such steps as are necessary to protect the integrity of its programming and considers self-discipline on the part of the broadcasting industry, rather than government regulation, the most desirable approach to the problems that have been highlighted.



International

During 1959, the ABC International Division of the Company was established. Donald W. Coyle, an ABC Vice President, was placed in charge. Mr. Coyle brings to this new position broad experience in the field of television, having served in such executive capacities as director of research and general sales manager of the television network.

International television, although still in an early stage of development, holds great promise for the future. Our Company is taking a very active role in this field. A minority stock interest is held in News Limited, a company which is principal owner of a television station in Australia. A similar stock interest is held in a company which will operate a television station in Costa Rica.

Recently, the International Division took part in the formation of a television network to be operated in Central America and in which our Company will have the major interest. This represents the first commercial television network to be established in the Western Hemisphere outside of the United States and the first time that stations in five different countries have joined together to form a network. It is expected that our Company will acquire minority interests in television stations located in Guatemala, Honduras, Nicaragua and El Salvador — all of which, together with the station in Costa Rica, will be participants in the Central American Television Network (CATVN).

Additional commitments in the form of station ownership and other forms of television activity will be made in the foreign television field as conditions warrant.

Our Company has joined with television stations in these five countries to form the new Central American Television Network.





Radio

The ABC Radio Network improved its operation relative to its position during the previous year. It strengthened and expanded its station affiliations through the addition of individual stations and its association with the Arizona Network, the Intermountain Network in the Rocky Mountain area and the taking over of the Don Lee Network on the Pacific Coast.

In programming, the network carried two outstanding "specials"—the Patterson-Johansson heavyweight championship fight and the National League Baseball play-offs. Both events were sponsored and drew in excess of twenty million listeners. Representative network programs, catering to a variety of tastes, include the well-established and very popular **DON MCNEILL'S BREAKFAST CLUB** and such new programs as the **EYDIE GORME SHOW** and **BUSINESS FINAL** with John Cameron Swayze.

One of the most important program areas of the radio network is news, special events and public affairs. The News Department during the past eventful year extended its on-the-scene radio coverage of major news events and its public service broadcasts. Many hours of special events programming were devoted to the most significant new development of 1959—diplomacy by international visit. ABC reporters and microphones followed Vice President Nixon to the Soviet Union, Premier Khrushchev on his trip across the United States and President Eisenhower on his two international good-will trips to Europe and to Asia. The radio network also broadcast the weekly White House news conferences, a series of Senate hearings on labor-management relations, and many one-time special events programs and public affairs programs. All the above were in addition to the regular weekly religious programs broadcast in collaboration with the major faiths, a labor-management series, an agriculture program and those in cooperation with educational and other organizations. **EASY AS ABC**, a series produced in cooperation with UNESCO, received a Peabody Award.

At the same time, ABC News inaugurated a more intensive on-the-scene coverage entitled **News Call**, which is supplied to affiliates as a complement to regular network news broadcasts. This material enables affiliated stations to supplement their own newscasts with special material gathered from around the world. The expanded coverage won the endorsement of news-minded affiliates. ABC Radio continued to find wide advertiser acceptance for its news programs.

Over twenty million people listened to the Patterson-Johansson heavyweight championship fight on ABC Radio.





Owned Stations

The radio and television owned stations made impressive gains in sales and earnings during the past year. These stations are located in six of the eight leading markets in the country. The Company acquired full ownership of Chicago radio station WLS—a 50,000 watt clear channel station which is one of the oldest and one of twenty-two clear channel stations in the United States.

These stations have continued to expand their public service programming and activities in order to best serve the needs of their respective communities.

In New York, WABC-TV scheduled an educational series, *THE MAGIC EYE* which was produced in cooperation with The Book Of The Month Club. Local high school football and basketball games were telecast in cooperation with local school officials. WABC Radio is assisting in sponsorship of the newly formed Athletes for Juvenile Decency Committee. This station also expanded its news coverage and broadcast several documentaries on such timely subjects as "The Teen-Age Drug Menace", "The Plastic Bag Killer" and "Report from Cuba."

Station WXYZ-TV continued its outstanding record of serving the Detroit community through its many award-winning programs such as *YOUTH BUREAU* and *REALM OF THE WILD* in addition to three regular weekly programs produced in cooperation with the University of Michigan and other leading schools. WXYZ Radio maintained its reputation for community leadership through its extensive scheduling of local public affairs activities including special programs produced in cooperation with the University of Michigan, the University of Detroit and the Detroit Council of Churches.

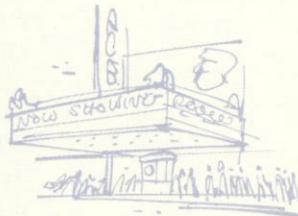
In Chicago, WBKB provided over 20 hours of exclusive television coverage of the Pan American games, scheduled the first television appearance in this country of the famed Ballet Folklorico de Mexico and created a special program on the eve of the visit of Queen Elizabeth II to Chicago.

In Los Angeles, KABC-TV received an award for the third consecutive year from the National Safety Council for its *TRAFFIC COURT* program. This station also produced the television network program *DAY IN COURT*, which received the coveted Gavel Award of the American Bar Association. KABC Radio conducted a series on important local issues, one of which was cited "as the best special news program" by the Southern California Radio and TV News Club.

In San Francisco, a highlight of the year was the presentation by KGO-TV of the appearance of Premier Khrushchev before the World Affairs Council and the Commonwealth Club of California. William Winter, a highly regarded news commentator, received a citation from the Associated Press for his broadcasts on KGO and KGO-TV. KGO Radio continued its popular series entitled *OPERA CURTAIN TIME* originating backstage at the San Francisco Opera House.

KQV Radio in Pittsburgh, conducted the first polio clinic ever sponsored by a radio station during which 10,000 Pittsburgh residents received polio shots. The station also repeated in 1959 its widely acclaimed and successful day-long campaign on behalf of the Pittsburgh United Fund Campaign utilizing outstanding business leaders as on-the-air personalities.

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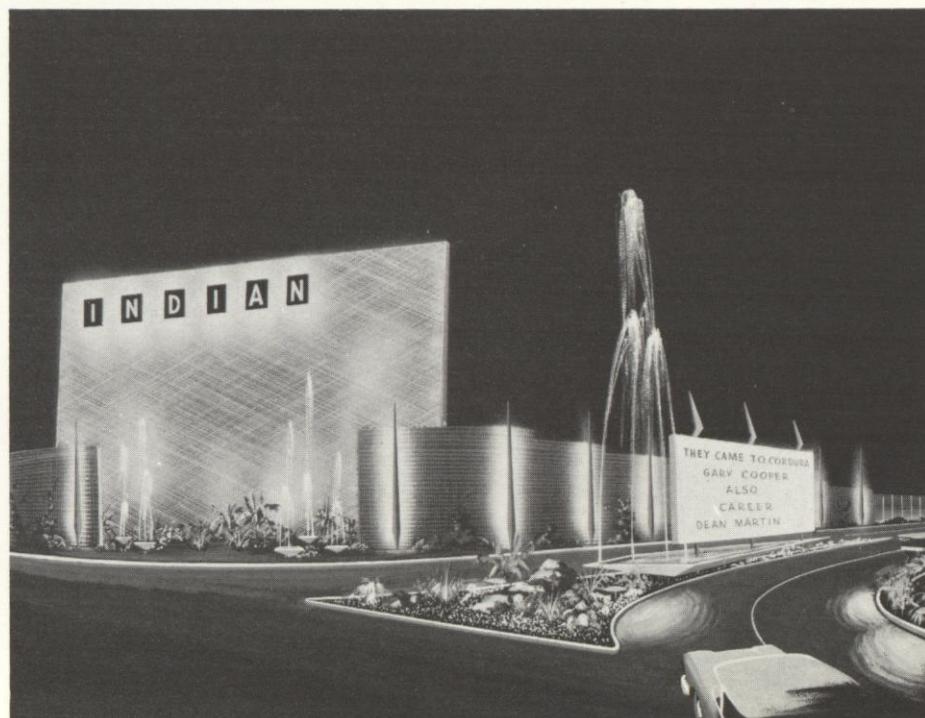


Theatres

There was a much firmer tone to the motion picture business in 1959 than in the previous year. Earnings of our theatres were higher than those of 1958 which reflected not only a better supply of quality pictures but also a reduction in costs of operation and the divestment of uneconomic theatres.

The most significant factor in theatre business is the supply of quality motion pictures. Good pictures retain a magnetism as public attractions. While the movie-going public is more selective than it was in previous years, it continues to attend motion picture theatres in substantial numbers to see films of its choice. Production companies have concentrated their efforts in making fewer and better pictures and this has resulted in a greater number of larger grossing pictures than was true in prior periods in the past decade.

The Indian Head Drive-In Theatre, Phoenix—refurbished to include the latest all-purpose projection.



A number of top motion pictures that will be available in the nation's theatres during 1960 are illustrated on these pages. Among other fine pictures that the movie-going public will be seeing are: *FROM THE TERRACE* starring Paul Newman and Joanne Woodward, *LET'S MAKE LOVE* starring Marilyn Monroe and Yves Montand, *THE FUGITIVE KIND* with Marlon Brando and Anna Magnani, *THE APARTMENT* starring Jack Lemmon and Shirley MacLaine, *TALL STORY* with Anthony Perkins, *OCEAN'S ELEVEN* starring Frank Sinatra and Dean Martin, *STRANGERS WHEN WE MEET* with Kim Novak and Kirk Douglas, *THE RAT RACE* with Tony Curtis and Debbie Reynolds, *THE WORLD OF SUZIE WONG* starring William Holden, *GULLIVER'S TRAVELS*, *SWISS FAMILY ROBINSON* and *BEN HUR* starring Charlton Heston.

Theatre Properties

Our Company has continued its policy of divesting marginal or uneconomic theatre properties. During the past year, fifteen theatres were disposed of through sale, commercialization and lease termination. One theatre was acquired. At the year end, our theatre subsidiaries had interests in 498 theatres, of which thirteen were partly-owned. Seven wholly-owned and two partly-owned theatres were leased to outsiders. The divestment of properties resulted in net capital gains. Further dispositions are planned in keeping with changes within the industry and our policy of retaining only those theatres with the best earnings potential.

To keep abreast of the latest technological developments, new 70 millimeter equipment is being installed in a number of key theatres in order to accommodate the increasing number of important pictures produced in this process.

Motion Picture Highlights of the 1960 Season

1. "Bells are Ringing" with Judy Holliday and Dean Martin.
2. "Song Without End" with Dirk Bogarde and Patricia Morison.
3. "The Story of Ruth" with Elana Eden.
4. Kirk Douglas in "Spartacus" with Laurence Olivier and Jean Simmons.
5. Marlon Brando stars in "One-Eyed Jacks."
6. "Ice Palace" with Richard Burton and Robert Ryan.
7. "The Alamo" stars John Wayne.
8. Jane Wyman in "Pollyana."



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Theatre Operations

Our theatres are operated on a decentralized basis by subsidiary companies and are located in approximately 270 communities in 36 states.

Theatre personnel not only fulfill their responsibilities in the operation of their theatres for the maximum comfort, convenience and enjoyment of movie patrons but also assume leading positions in their respective communities. They are active in making their theatres a focal point of community activity and work closely with local and national civic, charitable, service, religious and welfare organizations.

There is a wide range of such activities. For example, the Minnesota circuit originated the Golden Age Movie Club to give recognition to the often neglected elderly people and set up a reduced admission price scale for them. Theatres have instituted programs and affairs stressing safety and good citizenship. The Wilby-Kincey circuit conducted over 200 special children's programs in 16 communities during this past summer with attendance in excess of 225,000. Another typical example of community responsibility was the use of the Florida Theatre in St. Petersburg as a substitute Methodist Church on Sunday mornings for two years during the church's reconstruction. Typical of the activities of local managers were those of Lawrence Burke, manager of the Capitol Theatre in Pittsfield, Massachusetts, who is serving as chairman to raise funds for the Pittsfield Boys Center and Lynn Krueger, manager of the Majestic Theatre in San Antonio, Texas, who is the county campaign director for the March of Dimes.



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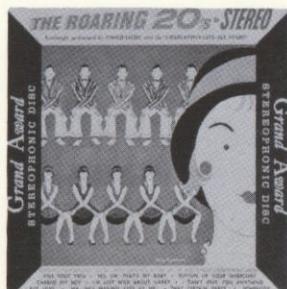
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Records

Our record subsidiary, Am-Par Record Corp., reported its best year since its inception in late 1955. The company's records are released under the ABC-PARAGON and APT labels. All of its albums and the most popular of its single records are released in both stereophonic and monophonic sound. Am-Par also operates a successful record pressing plant.

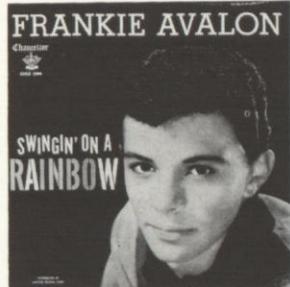
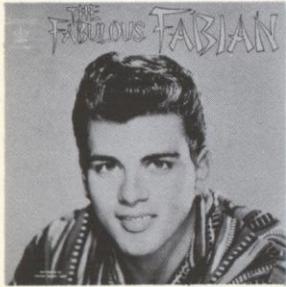
Besides its established artists such as Eydie Gormé, Paul Anka, George Hamilton IV and Johnny Nash, a number of new recording stars were added, notably Ray Charles and Lloyd Price. During the year, Lloyd Price had five top-selling single records, two of which exceeded sales of over one million. At the year end, he was voted by the leading trade journal as the best male vocalist in the popular category and best rhythm and blues singer. Paul Anka also maintained his fine performance record with four records on the best-selling single charts, and one selling well over one million. Another record to surpass the million figure was registered by Frankie Avalon on the CHANCELLOR label, distributed by Am-Par in this country.



In keeping with its policy to develop new young talent, Am-Par plans to introduce in 1960 such recording personalities as Barbara Lyons, Bobby Beck and the Nicardi Brothers.

The ABC-Paramount catalogue contains approximately 250 long-playing albums. During the year, Am-Par purchased Grand Award Record Corp., a successful recording company. This acquisition materially broadens the scope of our record business with the addition of Grand Award's catalogue of over 150 long-playing albums. Its releases are under the GRAND AWARD and the newly created COMMAND labels. Records under the COMMAND label already have been well received by the critics and the public and have rated high on the best-selling stereophonic album charts.

Am-Par has continued to be very active in the expanding international market and its artists have received international recognition. Paul Anka, for example, is generally regarded as the top-rated American recording artist in many foreign lands.



Film Syndication

ABC Films, Inc. has set its plans for additional television program properties that it distributes to stations and advertisers on a local, regional or national basis. These will include "Counter-Thrust," an adventure series being produced in the Far East, "Expeditions," a dramatic documentary about exploration, and two series that will be produced by Allied Artists. During the current television season, three of its properties—"Alcoa Presents," "Man with a Camera" and "Court of Last Resort" were telecast on the ABC Television Network.

ABC Films has been increasingly active in the international field and has established representation in countries where American television programs have met with success. It is expected that ABC Films will be in a position to contribute to the overall profits of the Company as the potential of the foreign television market is more fully realized.



Electronics

MICROWAVE ASSOCIATES, INC. (25% interest) Microwave's principal business is the development and manufacture of microwave equipment and radar components, with many of its new semi-conductors and tubes used in the nation's missiles, missile detection systems and communications. Its product line has been expanded to include devices for computer application. This company reported increased sales and profits and is in the process of more than doubling its plant capacity in order to accommodate its growth. To finance expansion, Microwave has reinvested its earnings and has added to working funds through a public stock offering. Its stock was listed for trading on the American Stock Exchange last November.

TECHNICAL OPERATIONS, INC. (21% interest) Technical Operations' sales and earnings (excluding a special non-recurring charge) increased again in 1959, with a growing portion of its income derived from manufacturing activities. During the year, the company raised additional capital through public financing, initiated a building program to double the size of its central plant and acquired complete control of two subsidiary companies in which it previously had a partial interest. These subsidiaries are engaged in the manufacture of semi-conductor power supplies and the processing of Kodachrome-type film. The company's major source of revenue continued to be in research and development projects as exemplified by its participation on a team which is developing a semi-automatic weather forecasting system for the Federal Aviation Agency, Air Force and Weather Bureau.



DYNAMETRICS CORP. (33% interest) This company specializes in contract engineering services and instrumentation manufacturing, primarily for the aircraft and missile industries as well as laboratories and government agencies. Dynametrics reported improved sales and earnings over the previous year. Included in its most recently developed product line are weight measuring devices used for missile nose cones and satellites. The company has also broadened its activities in the field of force and pressure measurement systems which are used in many industries.

Using a Microwave Associates' varactor, the General Electric Company's special tracking station at Schenectady, N. Y., tracked the Pioneer IV missile 410,000 miles into outer space.



At Disneyland, the monorail rapid transit ride passes the 145 foot replica of Switzerland's Matterhorn.



Amusement Centers



Underwater ballet performed by the "mermaids" of Weeki-Wachee.

DISNEYLAND PARK, in which our Company has a 35% stock interest, reported record attendance, revenues and per capita spending by visitors. Among the major attractions that were added this past year were the Matterhorn Bobsled Ride, the Submarine Voyage and the Monorail Ride. These attractions have met with exceptional public acceptance and have contributed to the continuing success of the Park which, since its opening in July 1955, has attracted over 19 million visitors.

WEEKI-WACHEE SPRING, which became wholly owned in 1959, is operated by our local theatre subsidiary, Florida State Theatres. This successful scenic attraction center is located 52 miles north of St. Petersburg, Florida. The major attraction at this tourist center, which covers approximately 600 acres, is an unusual underwater show. Now under construction is a new auditorium which will accommodate 500 persons who can view the performances seated 14 feet below the surface of the water. Other attractions are being developed to attract the increasing tourist traffic that the State of Florida is enjoying.



Publishing

Our Company purchased the stock of Prairie Farmer Publishing Company which publishes three leading farm papers serving the midwest—Prairie Farmer, Wallaces Farmer and Wisconsin Agriculturist. Prairie Farmer also owned a half interest in Chicago radio station WLS in which our Company had a 50% interest. The Prairie Farmer publications have an established and enviable reputation

dating back to about 1850. As the foremost farm publications in the four states of Illinois, Indiana, Iowa and Wisconsin, they have achieved first, third and fifth position among all farm papers in terms of paid commercial space. The farm papers will continue to be operated under their present successful management and policies.

The Prairie Farmer Building, Chicago, which houses the publication offices and printing plant as well as the offices and studios of Radio Station WLS.



American Broadcasting-Paramount Theatres, Inc.

ASSETS

	<u>January 2 1960</u>	<u>January 3 1959</u>
CURRENT ASSETS:		
Cash	\$ 20,868,717	\$ 24,207,200
United States government securities, at cost which approximates market	9,949,056	7,422,806
Accounts and notes receivable, less reserves:		
Accounts receivable, trade	34,993,060	22,194,885
Notes receivable from disposal of theatre interests since January 1, 1950	135,433	143,145
Sundry notes and accounts	2,537,783	2,660,830
Broadcasting program rights, film costs and production advances, less amortization	9,988,763	8,056,225
Inventory of merchandise and supplies, at cost or less	1,643,036	997,174
Prepaid expenses	2,502,716	2,539,802
Total current assets	<u>82,618,564</u>	<u>68,222,067</u>
INVESTMENTS, LESS RESERVES (See Note A):		
Affiliated companies:		
Capital stocks	4,109,998	5,357,753
Advances	1,373,264	1,441,453
Notes receivable from disposal of theatre interests since January 1, 1950, due after one year	413,439	642,821
Other notes and accounts due after one year	536,759	341,398
Miscellaneous	2,618,706	2,658,066
<u>9,052,166</u>	<u>10,441,491</u>	
FIXED ASSETS (See Note B):		
Land	23,046,039	22,997,218
Buildings, equipment and leaseholds	102,995,025	104,304,689
Less - Reserves for depreciation and amortization	(58,375,996)	(61,004,185)
<u>67,665,068</u>	<u>66,297,722</u>	
INTANGIBLES, at cost (See Note C)		
<u>12,852,585</u>	<u>9,375,350</u>	
OTHER ASSETS:		
Deposits to secure contracts	944,267	1,082,002
Deferred charges (See Note D)	2,138,528	461,511
	3,082,795	1,543,513
<u>\$175,271,178</u>	<u>\$155,880,143</u>	

Consolidated Balance Sheets

LIABILITIES AND CAPITAL

	<u>January 2 1960</u>	<u>January 3 1959</u>
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 30,426,811	\$ 18,384,921
Federal taxes on income, estimated	7,208,317	4,570,871
Less—U. S. Treasury notes	(7,208,317)	(4,570,871)
Notes and mortgages payable within one year	157,876	172,554
Total current liabilities	<u>30,584,687</u>	<u>18,557,475</u>
LONG - TERM DEBT:		
Notes issued under Loan Agreement (See Note E)	55,000,000	47,500,000
Other notes and mortgages	1,805,246	1,968,421
OTHER LIABILITIES:		
Advance payments, self-liquidating	2,477,637	1,450,797
Miscellaneous	1,001,933	1,006,784
Total liabilities	<u>90,869,503</u>	<u>70,483,477</u>
INTEREST OF MINORITY STOCKHOLDERS IN SUBSIDIARY COMPANIES	<u>353,173</u>	<u>250,603</u>
CAPITAL STOCK AND SURPLUS (See Note F):		
5% Preferred stock, authorized 74,433 shares, \$20 par value		
Shares issued	74,431-28/100ths	1,488,626
Less—Shares held in treasury	3,200	6,493,986
Shares outstanding	<u>71,231-28/100ths</u>	
Common stock, authorized 5,000,000 shares, \$1 par value		
Outstanding—4,149,362-34/38ths shares	4,149,363	4,149,363
Capital surplus	45,829,624	45,741,789
Earned surplus	32,642,521	28,835,985
	<u>84,110,134</u>	<u>85,221,123</u>
Less—Cost of preferred shares in treasury	61,632	75,060
	<u>84,048,502</u>	<u>85,146,063</u>
	<u><u>\$175,271,178</u></u>	<u><u>\$155,880,143</u></u>

Consolidated Profit and Loss and Surplus Accounts

PROFIT AND LOSS ACCOUNT

	<i>1959</i>	<i>1958</i>
INCOME:		
Television and radio time and program sales, less discounts, rebates and commissions to advertising agencies	\$172,468,528	\$136,967,316
Theatre admissions, rentals and vending profits	91,139,286	94,279,485
Merchandise and record sales, publishing and other income . .	24,277,993	13,347,287
Dividends from affiliated companies	71,604	227,153
	<u>287,957,411</u>	<u>244,821,241</u>
EXPENSES:		
Broadcasting, theatre and publishing operating expenses, cost of merchandise sold, selling and administrative expenses and sundry taxes	260,345,895	224,391,443
Interest expense	2,226,772	2,296,525
Depreciation and amortization of buildings, equipment and leaseholds	6,461,040	6,846,578
Profits applicable to minority stockholders in subsidiary com- panies	98,353	42,685
Federal income tax	10,857,980	5,900,000
	<u>279,990,040</u>	<u>239,477,231</u>
PROFIT FROM OPERATIONS	<u>7,967,371</u>	<u>5,344,010</u>
CAPITAL GAINS , net, after applicable Federal income tax and \$120,000 (\$200,000 in 1958) reserve for losses on collections	186,792	772,050
PROFIT FOR THE YEAR	<u>\$ 8,154,163</u>	<u>\$ 6,116,060</u>

SURPLUS ACCOUNTS

	<i>Earned</i>	<i>Capital</i>
BALANCE AT BEGINNING OF YEAR	\$ 28,835,985	\$ 45,741,789
ADD or (DEDUCT):		
Profit for the year	8,154,163	
Dividends paid in cash:		
5% Preferred stock at \$1.00 per share	(198,265)	
Common stock at \$1.00 per share	(4,149,362)	
Settlements and costs of anti-trust litigation applicable to period prior to January 1, 1950 (See Note F)		(32,316)
Par value in excess of purchase price of 250,268 shares of 5% Preferred stock purchased and retired		123,332
Other changes		(3,181)
BALANCE AT END OF YEAR	<u>\$ 32,642,521</u>	<u>\$ 45,829,624</u>

Notes to Consolidated Financial Statements

BASIS OF CONSOLIDATION:

Included are all subsidiary companies in which the common stocks are wholly owned directly or indirectly by American Broadcasting-Paramount Theatres, Inc. and the few companies which are owned to the extent of 75% (previously 85%) or more. Included for the first time in 1959 are (1) The Prairie Farmer Publishing Company, wholly owned, and its subsidiary companies, the common stock interest in one of which is 75%, (2) WLS, Inc., wholly owned, and (3) one theatre subsidiary 75% owned.

NOTE A-INVESTMENTS:

Investments in and receivables from affiliated companies not consolidated are carried at cost to a predecessor company, Paramount Pictures Inc., to American Broadcasting-Paramount Theatres, Inc., or to subsidiaries.

Investments in affiliated companies at January 2, 1960 include \$1,125,000 representing the Company's remaining investment in capital stock of Hobart Productions, Inc., after giving effect to the receipt in 1959 of a cash payment and of the interest of Hobart Productions, Inc. in three motion pictures. In 1960, Hobart Productions, Inc. transferred to the Company its interest in one additional motion picture in liquidation of the remaining stock interest.

The miscellaneous investments include \$2,219,811, the carrying value of unliquidated investments in certain theatres sold. These investments consist of stock and property interests sold since January 1, 1950 under contracts of sale secured by liens on the assets disposed of, at prices amounting in the aggregate to \$9,533,200. The sales prices, with interest thereon in most cases, are payable in instalments which in some cases are fixed periodic amounts but in the main are variable contingent amounts determined by the contractual provisions of the particular sale, and have final maturities in various years extending to 1983. Of the total sales prices, \$8,193,525 remained uncollected at January 2, 1960 and the difference between this amount and the present carrying value of the investments is a contingent profit which will be taken into the profit and loss accounts proportionately over future years as additional instalments of the sales prices are collected.

NOTE B-FIXED ASSETS:

The fixed assets, with minor exceptions, are carried at cost, less depreciation, to the predecessor companies, Paramount Pictures Inc. and American Broadcasting Company, Inc., to American Broadcasting-Paramount Theatres, Inc., or to subsidiaries. Two properties of a consolidated subsidiary carried at a book value of \$171,777 are subject to a mortgage in the maximum amount of \$240,000 pledged to secure performance under certain leases of such subsidiary.

NOTE C-INTANGIBLES:

Increase of \$3,477,235 during the year represents principally amount arising upon acquisition of the stock of The Prairie Farmer Publishing Company (which owns the remaining 50% of the stock of WLS, Inc.), also amount arising upon acquisition of the minority stock interest in Am-Par Record Corp.

NOTE D-DEFERRED CHARGES:

Includes at January 2, 1960, \$1,963,657 catalogue values of Grand Award Record Co. Inc., to be amortized over a seven year period.

NOTE E-NOTES ISSUED UNDER LOAN AGREEMENT:

These notes comprise (1) \$2,500,000 of 3.95% notes due in equal instalments on July 1, 1961 and January 1, 1962, (2) a 4.2% note in the amount of \$42,500,000 payable \$1,250,000 semi-annually from July 1, 1962 to and including July 1, 1972 and \$1,625,000 semi-annually from January 1, 1973 to and including July 1, 1977, and (3) a 4.2% note in the amount of \$10,000,000 due January 1, 1978.

NOTE F—CAPITAL STOCK AND SURPLUS:

Under stock option plans, 368,500 shares of common stock are reserved for issuance to officers and employees. There were outstanding on January 2, 1960 options which entitled the holders to purchase 18,500 shares of the Company under the 1950 Common Stock Option Plan at \$25.18 per share on or before March 23, 1963, and 182,750 shares of the Company under the 1959 Restricted Stock Option Plan, adopted by the Board of Directors on September 21, 1959 and approved by stockholders on November 24, 1959, at \$24.94 per share on or before September 21, 1966. Options issued under the 1959 Plan were dated September 21, 1959 and became exercisable cumulatively to the extent of 25% of the original number of shares at the end of each of the second, fourth, fifth and sixth years from date of issuance. Options for an additional 167,250 shares permitted to be issued under the 1959 Plan remained unissued at January 2, 1960.

The Company is required in each year to set aside cash as a sinking fund for the redemption of 24,322 shares of 5% Preferred Stock. The sinking fund redemption price is \$20 per share, par value. The Company may take credit, at the sinking fund redemption price, for any shares which it may have purchased or redeemed otherwise than through the sinking fund. Shares have been applied in full satisfaction of the sinking fund requirements through 1959 and 366,560 additional shares purchased or redeemed are available for sinking fund requirements of subsequent years.

Under the Loan Agreement there are certain restrictions on the Company in declaring or paying any dividends (otherwise than in shares of capital stock of the Company) or making, or permitting any "restricted" subsidiary to make, any purchase, redemption or retirement of, or any other distribution upon, any of the shares of capital stock of the Company (otherwise than in such shares), said "stock payments" being permitted only to the extent of \$3,400,000 plus (1) the consolidated net earnings of the Company and its "restricted" subsidiaries (excluding amounts representing capital gains, less applicable taxes thereon) since December 31, 1955, and (2) the aggregate amount received subsequent to December 31, 1955 as the net cash proceeds of sales of shares of capital stock of the Company to the extent that such amount does not exceed the aggregate amount applied, subsequent to December 31, 1955, to the purchase, redemption or other retirement of shares of capital stock of the Company. These restrictions had the effect of making the capital surplus and \$27,855,475 of the consolidated earned surplus at January 2, 1960 unavailable for such "stock payments."

Under the Plan of Reorganization of Paramount Pictures Inc., the Company assumed 50% of the expense and liability incurred in connection with anti-trust litigation where distribution and exhibition are involved and which is based upon occurrences prior to the dissolution of Paramount Pictures Inc. on December 31, 1949. Payments of \$32,316 made during the year with respect to such litigation were charged to capital surplus.

NOTE G—RENTALS UNDER LEASES OF REAL PROPERTY:

American Broadcasting-Paramount Theatres, Inc. and its consolidated subsidiaries were liable as of January 2, 1960 under 277 leases of real property expiring subsequent to December 31, 1962 under which the minimum annual rental was approximately \$5,232,000. The minimum annual rentals stipulated in these leases which expire during the three five-year periods ending December 31, 1977 and subsequent to that date are as follows:

Leases expiring:

During the 5 years ending:	
December 31, 1967	\$1,921,000
December 31, 1972	1,107,000
December 31, 1977	996,000
Subsequent to December 31, 1977	1,208,000
	<u>\$5,232,000</u>

CONTINGENT LIABILITIES:

The Company and its subsidiaries have contingent liabilities under pending litigation, including anti-trust suits, to many of which a predecessor company, Paramount Pictures Inc., and other major motion picture companies are defendants. The Company also has an obligation to the sellers of The Prairie Farmer Publishing Company measured by a percentage of profits of that company and its subsidiaries over the next 6½ years. The amount of liability is not presently determinable.

OPINION OF INDEPENDENT ACCOUNTANTS

PRICE WATERHOUSE & CO.

56 PINE STREET

NEW YORK 5

March 21, 1960

To the Directors and Shareholders of
American Broadcasting-Paramount Theatres, Inc.

In our opinion, the accompanying consolidated balance sheet and related statements of profit and loss and surplus, together with the explanatory notes, present fairly the financial position of American Broadcasting-Paramount Theatres, Inc. and consolidated subsidiary companies at January 2, 1960 and the results of their operations for the fiscal year (52 weeks) then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Our examination of these statements was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Price Waterhouse & Co.

AMERICAN BROADCASTING — PARAMOUNT THEATRES, INC.

